

March 1, 2001

NOTE TO: Medicare+Choice Organizations and Other Interested Parties

SUBJECT: Announcement of Calendar Year (CY) 2002 Medicare+Choice Payment Rates

In accordance with section 1853(b)(2) of the Social Security Act (the Act), we are notifying you of the annual Medicare+Choice capitation rate for each Medicare+Choice payment area for 2002, and the risk and other factors to be used in adjusting such rates. Attached is a spreadsheet containing the capitation rate tables for CY 2002, which include the rescaling factors that will be used with the risk-adjusted portion of payment in 2002. As discussed in Enclosure I, the final estimate of the increase in the National Per Capita Medicare+Choice Growth Percentage for aged beneficiaries is 7.99 percent. This percentage applies to the area-specific rates used in calculating the CY 2001 rates announced on March 1, 2000. (If the national per capita M+C growth percentage for CY 2002 were determined based on the area-specific rates used in calculating the revised CY 2001 rates announced on January 4, 2001, which reflect the impact of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), the total change would be 4.66 percent).

For 2002, about 20 percent (or about 660) of the county rates reflect the minimum percentage increase of 2 percent under section 1853(c)(1)(C)(ii) of the Act, and 80 percent will reflect the "floor" amounts for aged beneficiaries of \$553.04 or \$500.37 for counties in MSAs with a population of 250,000 or more and other areas, respectively, (or, if lower, the 2001 floor increased by the National Per Capita Medicare+Choice Growth Percentage for areas outside of the 50 States and the District of Columbia). County worksheet data are posted on the HCFA Web site (<http://www.hcfa.gov/stats/hmorates/aapccpg.htm>). County demographic tables will be sent under separate cover.

This announcement also provides a set of tables which summarizes many of the key Medicare assumptions used in the calculation of the national per capita Medicare+Choice growth percentage. The instructions you need to complete the Adjusted Community Rate Proposals (ACRs) for contract periods beginning January 1, 2002 will be forthcoming.

Section 1853(b)(4) of the Act (added by Section 514 of the BBRA) requires HCFA to release county-specific per capita fee-for-service expenditure information on an annual basis, beginning with March 1, 2001. Due to some data complications, these data will not be available until early April, 2001.

We received two letters of comment on the January 12, 2001 Advance Notice of Methodological Changes for the CY 2002 Payment Rates. Enclosure III presents our responses to these comments.

Questions on the capitation rate tables and the National Per Capita Medicare+Choice Growth Percentage can be directed to Sol Mussey at (410) 786-6386. Questions on the submission of ACR proposals can be directed to Phil Doerr at (410) 786-1059. Questions on the risk adjustment methodology can be directed to Anne Hornsby at (410) 786-1181.

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Enclosures

Enclosure I

Final Estimate of the Increase in the National Per Capita Growth Percentages for 2002

The first table below shows the National Per Capita Medicare+Choice Growth Percentages (NPCM+CGP) used to determine the area-specific rates for 2002. Since the current payment methodology requires determining payment rates based on the 1997 rates for the area-specific rates, we are also showing the increases in the per capita rates from 1997 forward. These growth percentages reflect adjustments of -0.8 percent in 1998, -0.5 percent in 1999 to 2001, and -0.3 percent in 2002 as required by section 1853(c)(6)(B) of the Act. In addition, the increases for 1997 to 2001 reflect adjustments of 2.52 percent, 4.82 percent, -7.07 percent and 2.79 percent for aged, disabled, ESRD, and combined aged and disabled, respectively, in order to account for corrections to prior estimates, as required under section 1853(c)(6)(C). These adjustments also reflect the impact of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), which was passed subsequent to the announcement of the 2001 M+C ratebook on March 1, 2000. The combined aged and disabled increase is used in the development of the risk-adjusted ratebook. The second table shows information for the determination of the floor payment rates. Since the BIPA 2000 reestablished the floor payments in 2001, there is no adjustment in 2002 for corrections to prior estimates. Finally, the third table shows the monthly actuarial value of the Medicare deductible and coinsurance for 2001 and 2002. These data were furnished by the Office of the Actuary.

Increase in the National Per Capita M+C Growth Percentages for 2002

	Prior Increases	Current Increases			NPCM+CGP for 2002 With Sec.1853(c)(6)(C) adjustment ²
	1997 to 2001 ¹	1997 to 2001	2001to 2002	1997 to 2002	
Aged	9.35%	12.11%	5.34%	18.09%	7.99%
Disabled	5.90	11.00	5.32	16.90	10.39
ESRD	-3.98	-10.77	1.47	-9.46	-5.71
Aged+Disabled	8.76	11.79	5.30	17.71	8.23

¹Applies to the area-specific rates used in calculating in the M+C rates announced March 1, 2000

²Current increases for 1997 to 2002 divided by the prior increases for 1997 to 2001.

Increase in the Floor Payment Rate for 2002

	NPCM+CGP (used for floor payment) for 2002
Aged	5.34%
Disabled	5.32
ESRD	1.47
Aged+Disabled	5.30

Monthly Actuarial Value of Medicare Deductible and Coinsurance for 2001 and 2002

	2001	2002	Change
Part A Benefits	\$28.05	\$26.16	-6.7%
Part B Benefits ³	72.61	79.15	9.0
Total Medicare	100.66	105.31	4.6

³Includes the amounts for outpatient psychiatric charges.

Enclosure II

KEY ASSUMPTIONS AND FINANCIAL INFORMATION

Attached is a table, which compares the published United States Per Capita Costs (USPCC) with current estimates for 1997 to 2002. In addition, this table shows the current projections of the USPCCs through 2004. We are also providing an attached set of tables that summarizes many of the key Medicare assumptions used in the calculation of the USPCCs. The USPCCs are the basis for the National Per Capita Medicare+Choice Growth Percentages. Most of the tables include information for the years 1995 through 2004. Caution should be employed in the use of this information. It is based upon nationwide averages, and local conditions can differ substantially from conditions nationwide.

Comparison of Current Estimates of the USPC with Published Estimates

PART A:

Calendar Year	Aged			Disabled			Aged and Disabled		
	Current Estimate	Published Estimate	Ratio	Current Estimate	Published Estimate	Ratio	Current Estimate	Published Estimate	Ratio
1997	\$288.08	\$297.81	1.034	\$234.16	\$251.92	1.076	\$281.40	\$292.02	1.038
1998	\$256.84	\$271.26	1.056	\$212.36	\$224.86	1.059	\$251.16	\$265.22	1.056
1999	\$253.21	\$277.67	1.097	\$211.32	\$236.27	1.118	\$247.75	\$272.14	1.098
2000	\$260.84	\$286.18	1.097	\$216.17	\$230.48	1.066	\$254.87	\$278.61	1.093
2001 ¹	\$281.99	\$288.62	1.024	\$231.33	\$235.50	1.018	\$275.01	\$281.25	1.023
2001 ²	\$281.99	\$298.43	1.058	\$231.33	\$242.00	1.046	\$275.01	\$290.59	1.057
2002	\$294.46	\$294.46	1.000	\$242.06	\$242.06	1.000	\$287.10	\$287.10	1.000
2003	\$301.76	--	--	\$249.84	--	--	\$294.32	--	--
2004	\$316.77	--	--	\$262.34	--	--	\$308.81	--	--

PART B:

Calendar Year	Aged			Disabled			Aged and Disabled		
	Current Estimate	Published Estimate	Ratio	Current Estimate	Published Estimate	Ratio	Current Estimate	Published Estimate	Ratio
1997	\$156.64	\$169.14	1.080	\$149.72	\$149.06	0.996	\$155.84	\$166.82	1.070
1998	\$184.94	\$200.88	1.086	\$165.82	\$177.27	1.069	\$182.67	\$198.06	1.084
1999	\$187.93	\$206.31	1.098	\$168.04	\$175.90	1.047	\$185.51	\$202.57	1.092
2000	\$204.45	\$218.78	1.070	\$181.35	\$195.91	1.080	\$201.57	\$216.03	1.072
2001 ¹	\$227.88	\$217.57	0.955	\$204.48	\$191.99	0.939	\$224.88	\$214.32	0.953
2001 ²	\$227.88	\$223.83	0.982	\$204.48	\$198.69	0.972	\$224.88	\$220.63	0.981
2002	\$244.17	\$244.17	1.000	\$218.23	\$218.23	1.000	\$240.76	\$240.76	1.000
2003	\$255.29	--	--	\$227.09	--	--	\$251.51	--	--
2004	\$269.97	--	--	\$240.37	--	--	\$265.92	--	--

PART A & PART B:

Calendar Year	Aged			Disabled			Aged and Disabled		
	Current Estimate	Published Estimate	Ratio	Current Estimate	Published Estimate	Ratio	Current Estimate	Published Estimate	Ratio
1997	\$444.72	\$466.95	1.050	\$383.88	\$400.98	1.045	\$437.24	\$458.84	1.049
1998	\$441.78	\$472.14	1.069	\$378.18	\$402.13	1.063	\$433.83	\$463.29	1.068
1999	\$441.14	\$483.98	1.097	\$379.36	\$412.17	1.086	\$433.26	\$474.71	1.096
2000	\$465.29	\$504.96	1.085	\$397.52	\$426.39	1.073	\$456.44	\$494.64	1.060
2001 ¹	\$509.87	\$506.19	0.993	\$435.81	\$427.49	0.981	\$499.89	\$495.57	0.991
2001 ²	\$509.87	\$522.26	1.024	\$435.81	\$440.69	1.011	\$499.89	\$511.22	1.023
2002	\$538.63	\$538.63	1.000	\$460.29	\$460.29	1.000	\$527.86	\$527.86	1.000
2003	\$557.05	--	--	\$476.93	--	--	\$545.83	--	--
2004	\$586.74	--	--	\$502.71	--	--	\$574.73	--	--

¹Applies to M+C ratebook for January to February, 2001

²Applies to M+C ratebook for March to December, 2001

Summary of Key Projections Under Present Law¹

Part A

Year	Calendar Year CPI Percent Increase	Fiscal Year PPS Update Factor	FY Part A Total Reimbursement (Incurred)
1995	2.9%	²	12.6%
1996	2.9	1.5%	7.3
1997	2.3	2.0	6.3
1998	1.3	0.0	-9.3
1999	2.2	0.5	0.0
2000	3.4	1.1	4.1
2001	2.7	3.4	8.9
2002	2.6	3.1	5.5
2003	2.6	3.1	3.8
2004	2.5	3.6	6.2

Part B³

Calendar Year	Physician Fee Schedule		Part B Hospital	Total
	Fees	Residual		
1996	0.8%	-0.1%	9.2%	4.1%
1997	0.6	3.0	8.1	4.6
1998	2.3	3.2	-0.5	13.7
1999	2.3	1.0	5.6	1.4
2000	5.5	3.5	5.5	8.1
2001	5.2	2.6	15.3	9.9
2002	2.0	3.5	2.9	6.5
2003	1.6	2.5	7.5	4.3
2004	1.3	2.6	5.7	5.2

¹Percent change over prior year.

²For entire year, 8.4% rural and 1.1% urban updates.

³Percent change in charges per Aged Part B enrollee.

Medicare Enrollment Projections Under Present Law (In Millions)

Non-ESRD

Calendar Year	Part A		Part B	
	Aged	Disabled	Aged	Disabled
1995	32.649	4.286	31.615	3.821
1996	32.927	4.518	31.862	4.024
1997	33.136	4.690	32.050	4.162
1998	33.301	4.874	32.183	4.325
1999	33.490	5.018	32.282	4.479
2000	33.681	5.201	32.401	4.615
2001	33.889	5.414	32.571	4.797
2002	34.115	5.576	32.729	4.954
2003	34.392	5.753	32.934	5.102
2004	34.715	5.941	33.178	5.261

ESRD Part A

Calendar Year	Part A			
	Aged	Disabled	299I ¹	Total
1995	0.088	0.068	0.067	0.223
1996	0.094	0.074	0.070	0.238
1997	0.102	0.079	0.073	0.254
1998	0.110	0.085	0.076	0.271
1999	0.117	0.091	0.079	0.287
2000	0.123	0.098	0.082	0.303
2001	0.128	0.104	0.085	0.317
2002	0.134	0.110	0.088	0.332
2003	0.140	0.116	0.092	0.349
2004	0.147	0.122	0.096	0.365

ESRD Part B

Calendar Year	Part B			
	Aged	Disabled	299I	Total
1995	0.086	0.066	0.052	0.204
1996	0.093	0.071	0.054	0.218
1997	0.100	0.076	0.056	0.232
1998	0.108	0.081	0.058	0.247
1999	0.114	0.087	0.060	0.261
2000	0.120	0.094	0.062	0.276
2001	0.125	0.100	0.064	0.289
2002	0.131	0.105	0.067	0.303
2003	0.137	0.111	0.070	0.318
2004	0.143	0.118	0.073	0.334

¹ Individuals who qualify for Medicare based on ESRD only.

Part A Projections Under Present Law ¹

Calendar Year	Inpatient Hospital		SNF		Home Health		Managed Care		Hospice: Total Reimbursement (in Millions)	
	Aged	Disabled	Aged	Disabled	Aged	Disabled	Aged	Disabled	Aged	Disabled
1995	\$2,140.91	\$2,406.36	\$279.67	\$98.32	\$466.04	\$312.89	\$234.78	\$89.77	\$1,789	\$94
1996	2,181.05	2,385.44	317.67	110.52	484.50	326.17	336.04	139.52	1,897	100
1997	2,207.51	2,350.46	365.65	127.63	472.93	319.32	464.46	206.58	1,977	104
1998	2,155.16	2,303.07	361.45	127.13	305.89	212.86	513.90	238.54	2,074	109
1999	2,144.13	2,298.55	291.08	99.09	192.74	140.93	576.66	274.46	2,446	129
2000	2,201.27	2,340.55	307.54	103.36	101.50	73.62	591.30	288.15	2,729	144
2001	2,378.91	2,490.49	380.58	125.42	111.96	79.97	575.54	287.08	2,942	155
2002	2,485.55	2,594.07	388.81	127.22	138.25	97.86	598.94	303.18	3,155	166
2003	2,570.95	2,677.96	365.21	118.93	145.48	102.46	621.14	321.04	3,327	175
2004	2,680.21	2,786.89	390.84	126.70	157.59	110.46	644.11	336.14	3,506	185

¹ Average reimbursement per enrollee on an incurred basis, except where noted.

Part B Projections Under Present Law¹

Calendar Year	Physician Fee Schedule		Part B Hospital		Durable Medical Equipment	
	Aged	Disabled Non-ESRD	Aged	Disabled Non-ESRD	Aged	Disabled Non-ESRD
	1995	\$888.85	\$804.79	\$235.98	\$279.64	\$98.29
1996	870.18	789.24	247.77	268.51	101.17	145.16
1997	873.17	793.92	254.62	273.37	109.68	164.42
1998	893.31	818.05	224.38	251.72	104.40	164.55
1999	910.98	831.37	227.51	258.75	108.61	169.90
2000	997.24	904.91	254.31	288.57	119.46	184.54
2001	1,111.14	990.39	347.61	386.75	136.85	208.48
2002	1,172.95	1,044.81	356.53	397.10	145.85	222.01
2003	1,220.49	1,086.58	388.41	432.05	156.07	237.50
2004	1,267.55	1,127.91	420.13	466.79	166.14	252.75

Calendar Year	Carrier Lab		Other Carrier		Intermediary Lab	
	Aged	Disabled Non-ESRD	Aged	Disabled Non-ESRD	Aged	Disabled Non-ESRD
	1995	\$77.33	\$63.73	\$123.17	\$121.63	\$36.30
1996	69.19	57.32	136.09	130.36	35.77	49.90
1997	63.31	53.21	151.22	138.14	36.58	47.48
1998	55.59	48.59	162.60	147.83	37.14	46.49
1999	54.73	48.97	177.56	161.35	39.64	50.05
2000	58.79	51.77	197.86	177.03	42.03	52.47
2001	61.29	53.15	221.16	202.86	44.64	54.90
2002	62.47	54.09	237.17	216.95	46.14	56.65
2003	65.30	56.46	253.82	232.01	48.52	59.51
2004	68.49	59.15	270.27	246.86	50.99	62.47

Calendar Year	Other Intermediary		Home Health		Managed Care	
	Aged	Disabled Non-ESRD	Aged	Disabled Non-ESRD	Aged	Disabled Non-ESRD
	1995	\$106.11	\$102.53	\$7.40	\$0.00	\$191.94
1996	121.55	122.90	7.62	0.00	257.21	134.53
1997	128.81	137.82	7.45	0.00	312.20	158.84
1998	120.72	98.47	210.52	159.74	458.13	225.23
1999	100.88	90.07	167.56	133.49	508.93	242.47
2000	116.50	99.76	179.27	141.80	528.39	245.29
2001	129.19	112.12	221.33	172.06	504.80	239.87
2002	136.71	119.81	273.79	210.09	544.18	262.33
2003	117.74	85.16	288.63	220.50	574.76	279.33
2004	124.92	91.01	313.26	238.18	612.25	301.62

¹Average reimbursement per enrollee on an incurred basis.

Claims Processing Costs as a Fraction of Benefits

Calendar Year	Part A	Part B
1988	0.005508	0.026230
1989	0.005178	0.026494
1990	0.004632	0.025077
1991	0.004691	0.023910
1992	0.004061	0.023004
1993	0.002726	0.022985
1994	0.002531	0.020798
1995	0.002315	0.018306
1996	0.002075	0.016802
1997	0.001933	0.015712
1998	0.002066	0.015203
1999	0.002129	0.015741
2000	0.002195	0.014790
2001	0.002195	0.014790
2002	0.002195	0.014790

Approximate Calculation of the USPCC and the National Medicare+Choice Growth Percentage for Aged Beneficiaries

The following procedure will approximate the actual calculation of the USPCCs from the underlying assumptions for the contract year for both Part A and Part B.

Part A:

The Part A USPCC for aged beneficiaries can be approximated by using the assumptions in the tables titled “Part A Projections Under Present Law” and “Claims Processing Costs as a Fraction of Benefits.” Information in the “Part A Projections” table is presented on a calendar year per capita basis. First, add the per capita amounts for the aged over all types of providers (excluding hospice). Next, multiply this amount by 1 plus the loading factor for administrative expenses from the “Claims Processing Costs” table. Then, divide by 12 to put this amount on a monthly basis. The last step is to multiply by .97625 to get the USPCC for the aged non-ESRD. This final factor is the relationship between the total and non-ESRD per capita reimbursements in 2001. This factor does not necessarily hold in any other year.

Part B:

The Part B USPCC can be approximated by using the assumptions in the tables titled “Part B Projections Under Present Law” and “Claims Processing Costs as a Fraction of Benefits.” Information in the “Part B Projections” table is presented on a calendar year per capita basis. First, add the per capita amounts for the aged over all types of providers. Next, multiply by 1 plus the loading factor for administrative expenses and divide by 12 to put this amount on a monthly basis. Then multiply by .97028 to get the USPCC for the aged non-ESRD.

The National Per Capita Medicare+Choice Growth Percentage:

The national per capita Medicare+Choice Growth Percentage for 2002 (before adjustment for prior years’ over/under estimates) is calculated by adding the USPCCs for Part A and Part B for 2002, dividing by the sum of the current estimates of the USPCCs for Part A and Part B for 2001, and then subtracting the adjustment required by section 1853(c)(6)(B). For 2002, this adjustment is -0.3 percent.

Enclosure III

We received two letters of comment on the January 12, 2001 45-day Notice. Both letters came from Medicare+Choice organizations.

Comment. One commenter suggested that HCFA was improperly interpreting Section 601 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) with regard to the issue of whether there should be an annual adjustment to the 2002 M+C minimum payment rates. The commenter contended that HCFA should apply the same adjustment to minimum payment rates that it applies to area-specific and national rates.

As we indicated in the 45-day Advance Notice published in January, we do not believe that revisions to the National Per Capita Medicare+Choice Growth Percentages due to under-and over-estimation of the Growth Percentages in previous years should be applied to the minimum payment rates for CY 2002, since the minimum rates for 2001 were not based on estimates that might turn out to be high or low, but were specified by Congress as the proper amount for that year. The commenter, however, relied upon language in section 1853(c)(6) of the Act that was not amended in BIPA, providing that all payment rates should be adjusted equally for past over-and under-projections of the M+C Growth Percentages after CY 2000. (As discussed below, it is noteworthy that this provision did not provide for such an adjustment the year after the year for which the minimum amount specified in the BBA applied.) Based on the commenter's reading of section 1853(c)(6), the commenter concluded that HCFA should adjust the minimum payment rates for CY 2002 with the same M+C Growth Percentages applied to the area-specific and national payment rates.

Response. Under Section 601 of BIPA, Congress changed the minimum payment amounts ("floor" rates) for CY 2001 to \$525 for any payment area in a Metropolitan Statistical Area (MSA) within the 50 states and the District of Columbia with a population of more than 250,000, and to \$475 for any other payment area within the 50 states and the District of Columbia. In the 45-day Notice, HCFA announced that the preliminary estimate of the rate of change for the floors is 5.3 percent for CY 2002.

The commenter argued that HCFA should adjust the floor rates for CY 2002 with the same revisions to prior years' estimates of the M+C Growth Percentages HCFA used to adjust area-specific rates. As a result, the commenter believed that HCFA should adjust both area-specific rates and floor rates with the 8.3 percent estimated rate of total change for CY 2002. HCFA does not concur with the commenter, for the reasons explained below.

Congress mandated a new floor rate for CY 1998 under the BBA (Section 1853(c)(1)(B)(i) of the Act), thus establishing CY 1998 as the statutory base year for the floor rate. Thus, there were no prior estimates of M+C growth rates for the floor rates in CY 1998. When calculating the ratebook for CY 1999, HCFA assumed that the floor rates set by Congress as appropriate for CY 1998 were deemed to include any appropriate revisions to prior years' estimates of the M+C Growth Percentages. Indeed, section 1853(c)(6), which provided for adjustments to reflect revisions to estimates in the case of the area-specific and national rates, expressly provided that no such adjustment was appropriate in the case of the year following a year in which Congress specified the appropriate rate.

As noted in the January 1999 45-day Advance Notice for CY 2000 rates, the rate of increase for the floor included, for the first time, an adjustment for the fact that the current estimate of the prior year's M+C Growth Percentage was different than the estimate actually used in calculating the 1999 ratebook. Further, the January 2000 45-day Advance Notice for CY 2001 rates explained why the total change in estimates of the M+C Growth Percentage differed for area-specific and floor rates. While adjustments to the area-specific rates due to revisions in prior years' estimates of growth did include a revised estimate for CY 1998, adjustments to the floors did not include revised estimates for CY 1998, because HCFA corrects only for estimates in the rates of increase after the base year, and the 1998 base year was specified by Congress as appropriate.

Under BIPA, Congress again took the approach of specifying appropriate rates in the statute for CY 2001 (after HCFA published the March 1, 2000 Announcement of CY 2001 rates), rather than building on prior year rates, estimates, or expenditure data. The revised CY 2001 rates (published January 4, 2001) are effective March through December 2001. Again, we believe Congress should be deemed to have included in the new base rates any appropriate adjustments due to revisions of prior years' estimates of growth, and that this deemed legislative adjustment supercedes (or, put another way, already "fulfills") any adjustment requirement that may exist under section 1853(c)(6). As in the case of the year following the year after the BBA-specified floor rate, in the CY 2003 ratebook HCFA will adjust the new BIPA-based floor rates with revised estimates of prior years' growth projections for the first time, using revised estimates for CY 2002.

We further note that BIPA mandated that floor payment amounts are no longer established on a county basis. A single floor rate is now assigned to all counties within MSAs of a certain size, and another floor rate is assigned to all other counties. If a county is located in an MSA with a population greater than 250,000, BIPA changed the floor rate for that county, effective March 2001. As a result, pre-BIPA revisions to prior year's growth estimates for this county cannot be linked to post-BIPA revisions for this county without "comparing apples to oranges." This is another reason that adjustments to area-specific rates will differ from adjustments to floor rates.

Comment. One commenter asked what bonus payment would be made if an M+C plan entered a previously unserved county on January 1, 2002.

Response. BIPA extends by one year the two-year period during which M+C organizations can qualify for the new entry bonus. If an M+C organization is the first to offer an M+C plan (or first offers such a plan on the same day that one or more other M+C organizations first offers a plan) between January 1, 2001 and December 31, 2002 in a county that qualifies as previously unserved under Section 1853(i), the M+C organization is eligible for the new entry bonus payment.

The M+C organization would receive a 5 percent bonus payment during its first 12 months in that county and a 3 percent bonus payment during the second 12-month period. Thus, an M+CO that first offers a plan in a previously unserved county on January 1, 2002 would receive a 5 percent bonus payment for its first 12 months in that county (January through December 2002), and a 3 percent bonus payment for its second 12-month period in that county (January through December 2003).